

Table A
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed state laws, rules, and regulations, and local ordinances related to licensing and permitting nonmedical adult-use cannabis businesses.
2 Using available information regarding permitted commercial cannabis activity in cities and counties throughout the State, as well as other relevant criteria, select six local governments for review.	Selected six local jurisdictions, using available information to ensure that our selection had geographical diversity, large and small local jurisdictions, local jurisdictions with a high number of licenses and those with few licenses, and a variety of permitting processes. We provide additional detail on this selection of local jurisdictions in the report.
3 For the selected local governments, determine whether:	
a. Cannabis business licensing and permitting policies and procedures are in place and clearly communicated to the public and potential licensees.	<ul style="list-style-type: none"> • Reviewed local jurisdictions' ordinances, policies, and procedures, as applicable, to determine whether each jurisdiction had cannabis business permitting policies and procedures in place. • Reviewed local jurisdictions' public websites to determine whether cannabis business-permitting policies and procedures were posted publicly and were therefore available to the public and to potential permittees.
b. These policies and procedures comply with relevant state and local laws and regulations.	<ul style="list-style-type: none"> • Determined that state law allows local jurisdictions to adopt and enforce local ordinances to authorize and regulate cannabis businesses. • Compared each jurisdiction's policies and procedures to local ordinances, as applicable, to ensure that they aligned. When local jurisdictions did not have policies and procedures but established detailed processes in ordinances, we did not have anything from which to compare those ordinances.
c. Local governments take reasonable steps to ensure fairness and prevent conflicts of interest, abuse, and favoritism.	<ul style="list-style-type: none"> • Identified four safeguards that would help jurisdictions ensure fairness and to prevent conflicts of interest, abuse, and favoritism: <ul style="list-style-type: none"> o Blind scoring o Appeals processes o Financial disclosures o Impartiality statements • Determined whether each jurisdiction used each safeguard.
4 For a selection of local licenses at each of the six governments, determine whether the government followed its policies and procedures when issuing the local licenses.	<ul style="list-style-type: none"> • Obtained lists of permits and applicants from each jurisdiction, where possible. • Selected 20 applications from each jurisdiction and 21 at South Lake Tahoe. Selections included approved and denied applications. • Compared information in the application files to each jurisdiction's ordinances, policies, and procedures to assess the extent to which jurisdictions followed their policies.
5 Assess the benefits and challenges of different processes for selecting individuals and businesses and awarding local licenses, and evaluate whether some selection processes are structurally more susceptible to corruption.	<ul style="list-style-type: none"> • Identified structures of cannabis-permitting processes that could be more susceptible to corruption, using cases of corruption from the U.S. Attorney's Office. • Identified practices from work under Objective 3c that could help reduce the risk of corruption.
6 Review and assess any other issues that are significant to the audit.	Reviewed and described each jurisdiction's application processing time, equity policies, and fee-setting.

Source: Audit workpapers.